

SCHEDULE 1 -- COAL WASHING SUMMARY SHEET

Customer Name and Code: _____ / _____

Address: _____

City _____ State _____ Zip _____

Lease Number: _____

Mine Name: _____

Facility Name/ID Number: _____

Product: _____

Period: _____ 20 _____ to _____ 20 _____

Depreciation and Return on Undepreciated Capital Investment (From Schedule 1B)

(a) Plant Depreciation	(b) Undepreciated Capital Investment at Beginning-of-Period	(c) Rate of Return	(d) Return on Undepreciated Capital Investment	(e) Depreciation Plus Return on Capital Investment	
\$ _____	\$ _____	_____	\$ _____	\$ _____	1

Operating, Maintenance, and Overhead Expenses
(From Schedule 1A, Line 18)

\$ _____ 2

Total Non-Arm's-Length Plant Expenses

\$ _____ 3

Total Plant Output (Including non-Federal coal
washed by lessee)

_____ 4

Non-Arm's-Length Washing Cost Per Ton Clean Coal

\$ _____ 5a

Arm's-Length washing Cost per Ton Clean Coal

\$ _____ 5b

Total Allowance Rate per Ton Clean Coal

_____ 6

Total Quantity of Lease Coal Washed During the
Reporting Period and Sold.

_____ 7

Lease Ad Valorem Royalty Rate

_____ % 8

Royalty Quantity of Coal Washed and Sold During the Reporting Period

_____ 9

Royalty Washing Allowance Amount

\$ _____ 10

Royalty Washing Allowance Amount for Coal Washed During the Prior Period and Sold
During the Report Period = Allowance Rate for Deferred Tons (_____) times
Lease Tons of Deferred Coal Sold During the Reporting Period (_____ Tons)
Times the lease Ad Valorem Royalty rate (_____ %).

\$ _____ 11

Total Royalty Washing Allowance Amount

\$ _____ 12

INSTRUCTIONS FOR COMPLETING FORM MMS-4292, SCHEDULE 1

Use Schedule 1 to accumulate washing costs and compute the royalty allowance rate and amount for the washing facility. If you wash coal under arm's length conditions, you must complete only Schedule 1 (do not complete Schedules 1A or 1B).

Complete a separate Schedule 1 for each line reported on page 1 of Form MMS-4292.

You must submit a clear schematic diagram, on no larger than 8-1/2 x 11-inch paper, illustrating the wash plant, including major pieces of equipment and flow lines.

Customer Name, Code, and Address – Enter the same company name, code, and address as used on Page 1 of the Form MMS-4292, Coal Washing Allowance Report.

Lease and Mine Information – Enter the same lease number and mine name combination as used on Page 1 of the Form MMS-4292. Enter a facility name or number unique to the washing facility. Enter the same product as entered on Page 1. Enter the same reporting period as shown in item 5 on Page 1.

Complete lines 1 through 5a only if you wash your coal under a non-arm's length or no-contract arrangement.

1. **Depreciation and Capital Investment** – Complete this line only if you wash coal under non-arm's length or no contract conditions.
 - (a) **Plant Depreciation** – Use the figure calculated from column 6 on Schedule 1B.
 - (b) **Undepreciated Capital Investment at Beginning-of-Period** -- Use the figure calculated from column 5 on Schedule 1B.
 - (c) **Rate of Return** – The rate of return is the industrial rate associated with Standard and Poor's BBB rating. Enter the monthly average rate as published in Standard and Poor's Bond Guide for the first month of the reporting period.
 - (d) **Return on Undepreciated Capital Investment** – Multiply column b by column c.
 - (e) **Depreciation Plus Return on Capital Investment** – Sum columns a and d.
2. **Operating, Maintenance, and Overhead Expenses** – Use the figure calculated from line 18 on Schedule 1A.
3. **Total Non-Arm's Length Plant Expenses** – Sum lines 1 and 2.
4. **Total Plant Output** – Enter the washing plant's total output in tons for the reporting period, including all non-Indian washed coal.
5.
 - (a) **Non-arm's Length Washing Cost Per Ton Clean Coal** – Divide line 3 by line 4, computing to 6 decimal places.
 - (b) **Arm's Length Washing Cost Per Ton Clean Coal** – Enter the washing cost rate as found in your arm's length contract.
6. **Total Allowance Rate Per Ton Clean Coal** – Sum lines 5a and 5b.

7. ***Total Quantity of Leased Coal Washed During the Reporting Period and Sold*** – Enter the total tonnage of leased coal washed and sold during the reporting period.
8. ***Lease Ad Valorem Royalty Rate*** – Enter the ad valorem royalty rate found in the Indian lease terms.
9. ***Royalty Quantity of Coal Washed and Sold During the Reporting Period*** – Multiply line 7 by line 8.
10. ***Royalty Washing Allowance Amount*** – Multiply line 6 by line 9.
11. ***Royalty Washing Allowance Amount for Coal Washed During the Prior Period*** – Multiply the lease tons of deferred coal sold during the current reporting period by the prior period royalty washing allowance amount and by the lease ad valorem royalty rate.
12. ***Total Royalty Washing Allowance Amount*** – Sum lines 10 and 11.

**SCHEDULE 1A -- NON-ARM'S-LENGTH
WASHING OPERATIONS,
MAINTENANCE AND OVERHEAD
EXPENDITURES**

CUSTOMER IDENTIFICATION BLOCK			
Customer Name and Code: _____			
Lease No: _____			
Mine Name: _____			
Facility ID No: _____			
Period:	20	to	20

☐ Estimated Costs - Check when estimating costs for system/segment start-up.

A. Lessee's Operating Costs for Washing Facility

Operations Supervision and Engineering	\$ _____	1
Operations Labor	_____	2
Utilities	_____	3
Materials and Supplies	_____	4
Ad Valorem Property Taxes	_____	5
Rent / Leasing	_____	6
Other (specify). Attach Supplemental Schedule 1A as necessary	_____	7
Total Operating Costs -- Subtotal	\$ _____	8

B. Lessee's Maintenance Costs

Maintenance Supervision	\$ _____	9
Maintenance Labor	_____	10
Materials	_____	11
Other (specify). Attach Supplemental Schedule 1A as necessary	_____	12
Total Maintenance Costs -- Subtotal	\$ _____	13

C. Lessee's Overhead Allocation (specify)

_____	\$ _____	14
_____	_____	15
Other (specify) use Supplemental Schedule 1A	_____	16
Total Overhead Allocation	\$ _____	17

D. Total Operating and Maintenance Costs

\$ _____	18
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INSTRUCTIONS FOR COMPLETING FORM MMS-4292, SCHEDULE 1A

Use Schedule 1A to record reasonable, actual operating, maintenance, and overhead costs for a washing facility for the prior reporting period. You must complete a separate Schedule 1A for each washing facility. On the following page of instructions is a list of allowable and nonallowable costs to use as a guide in determining operating, maintenance, and overhead costs. You must use this schedule only when the facility contract is non-arm's length, either because you or an affiliate owns the facility.

Customer Information Block – Enter the same customer name and code as used on Page 1 of the Form MMS-4292, Coal Washing Allowance Report.

Enter the same lease number and mine name as used on Page 1 of the Form MMS-4292.

Enter a name or facility number unique to the washing facility.

Enter the same reporting period as shown in item 5 on Page 1 on Form MMS-4292.

Part A and Part B – Identify and list on Part A and Part B all operating and maintenance costs directly attributable to the washing facility during the reporting period. If you need additional space to identify or explain other cost items, complete and attach a Supplemental Schedule 1A noting the nature and amount of the cost.

Total Operating Costs – Subtotal (8) – Sum lines 1-7.

Total Maintenance Costs – Subtotal (13) – Sum lines 9-12.

Part C – Identify and list all overhead costs directly allocable and attributable to the operations and maintenance of washing facility. If you need additional space, complete and attach a Supplemental Schedule 1A noting the nature and amount of the expenditure.

Total Overhead Allocation - (17) – Sum lines 14-16.

Part D, Total Operating and Maintenance Costs – Sum lines 8, 13, and 17.

ALLOWABLE AND NONALLOWABLE OPERATING, MAINTENANCE, AND CAPITAL COSTS

Allowable Capital Costs – Allowable capital costs are generally those costs for depreciable fixed assets (including costs of delivery and installation of capital equipment) which are an integral part of the wash plant.

Nonallowable Capital Costs – Nonallowable capital costs include costs incidental to marketing (e.g., storage and treatment). Also, schools, hospitals, roads, sewer and other capital improvements or equipment not an integral part of the transportation facility are not allowable capital costs. The capital cost associated with the preparation of an environmental impact statement is not allowable. However, capital costs for environmental equipment that are an integral part of the transportation facility are allowable.

Allowable Operating Costs – Allowable operating and maintenance costs are those nondepreciable costs that are directly attributable to the operation and maintenance of a wash plant. These expenditures include:

- Salaries and wages paid to employees and supervisors while engaged in the operation and maintenance of equipment and facilities
- Fuel and utility costs directly related to washing lease products
- Repairs, labor, materials, and supplies directly related to equipment and facilities
- Insurance and ad valorem property taxes (Federal and State income taxes are not allowable deductions)
- Arm's length rental, leasing, or contract service costs for equipment, facilities, on-site location or maintenance of equipment and facilities
- General administrative overhead costs (headquarters, personnel, telephone service, payroll taxes, employee benefits, vehicle expenses, office supplies, etc.). The total of these costs is limited to those reasonable expenditures directly attributable and allocable to the operation and maintenance of the wash plant.

Nonallowable Operating Costs – Nonallowable operating costs include:

- Costs incidental to marketing, and other operating costs associated with nonallowable capital expenditures which are not directly allocable or attributable to the washing of lease products.
- Federal and State income taxes, production taxes, royalty payments, or fees such as State severance taxes
- Costs for services that you are obligated to perform at no cost to the lessor.

**SCHEDULE 1A-- NON-ARM'S-LENGTH
WASHING FACILITIES,
OPERATIONS, MAINTENANCE, AND
OVERHEAD EXPENDITURES**

Period: 20 to 20

Type of Expenditure - Describe:

4

INSTRUCTIONS FOR COMPLETING FORM MMS-4292,
SUPPLEMENTAL SCHEDULE 1A

Use Supplemental Schedule 1A to identify and document operating, maintenance, and overhead expenditures listed under the "Other" expenditure categories on Schedule 1A.

Complete the customer identification block (see Schedule 1A instructions).

Complete a separate Supplemental Schedule 1A for other operating costs, other maintenance costs, and other overhead costs associated with the washing facility. Describe and specify each expenditure item and amount. Retain receipts and invoices in your office, subject to audit. Sum the amounts of each expenditure on the Total line. Enter the total amount of the operations, maintenance, or overhead expenditures on Schedule 1A, line 7, 12, or 16, as appropriate.

CUSTOMER IDENTIFICATION BLOCK	
Customer Name and Code:	_____
Lease No:	_____
Mine Name:	_____
Facility ID No:	_____
Period:	20 to 20

[illegible]

INSTRUCTIONS FOR COMPLETING FORM MMS-4292, SCHEDULE 1B

Use Schedule 1B to summarize actual or estimated washing facility depreciation and undepreciated capital investment for computing return on investment for each non-arm's length or no-contract washing facility. These costs are capital equipment that is an integral part of the wash plant. You must complete a separate Schedule 1B for each washing facility.

Complete the customer identification block (see Schedule 1A instructions).

Complete a line for each facility capital expenditure item as follows:

1. **Expenditure Item** -- Identify the capital expenditure item. List all major equipment exceeding \$50,000 in initialized capitalized value individually.
2. **Initial Capital Investment and Date Placed in Service** -- Enter the initial capital expenditure amount and the date the expenditure was placed in service.
3. **Salvage Value** -- Enter a reasonable salvage value.
4. **Depreciable Life/Years of Depreciation Taken to Date** -- Enter the depreciable life of the expenditure and the number of years of depreciation taken to date.
5. **Beginning-of-Year Undepreciated Capital Investment** -- Enter the undepreciated capital investment at beginning-of-year. In computing this value, deduct salvage from the initial capital investment.
6. **Depreciation** -- Enter the amount of depreciation to be taken for the year. In computing depreciation, you may elect to use either a straight-line depreciation method or a unit of production method based on the life of the equipment. Once you make an election, you may not alternate methods without MMS approval. Do not depreciate equipment below a reasonable salvage value.
7. **End-of-Year Undepreciated Capital Investment** -- Enter the undepreciated capital investment at end-of-year. Compute this by subtracting depreciation from the beginning-of-year undepreciated capital investment. Also use this amount as the next year's beginning-of-year undepreciated capital investment.
8. **Totals** -- Sum columns 5 and 6 and enter on Schedule 1, Part A, columns g and e, or Part B, columns g and e, accordingly.